

Thailand Banks

2Q24E profit to decline amid unfavorable business conditions

- We expect the seven banks under our coverage to post a decline in aggregate net profit in 2Q24, dragged down by sluggish core profit and lower investment gains.
- Asset quality is still a cause for concern, but manageable.
- Lack of positive catalysts with sluggish net profit growth in 2024-26 expected; reiterate UNDERWEIGHT rating with TTB as a top Buy.

Shrinking 2Q24E net profit following weak core operations

We expect the seven banks under our coverage to post a decline in aggregate 2Q24 net profit of 3.2% q-q, but a slight increase of 2.1% y-y, amounting to THB53.2b. PPOP is expected to contract by 2.1% both q-q and y-y, amounting to THB112.0b. For the q-q comparison, we project all banks to post a net profit decrease except for TTB and TISCO, which should see a slight increase, with TTB performing the best and SCB performing the worst. For the y-y comparison, we expect BBL, SCB, and TISCO to post a net profit contraction, while TTB, KBANK, KTB, and KKP should post y-y growth, with TTB and KBANK performing the best and SCB performing the worst.

Manageable asset quality; stable NPL ratio with lower credit costs

We view the aggregate asset quality as a cause for concern in 2Q24, particularly in the SME and retail segments, with no alarming signs in the corporate segment. New NPL formations and stage 2 loans should continually increase from 1Q24 following the uneven economic recovery and the high level of household debt. However, we view this as manageable. Most banks have proactively managed and been able to sustain the expected credit costs in 2Q24. Accordingly, we anticipate a flat NPL ratio of 3.63% with a credit cost of 146bp in 2Q24, sustaining the coverage ratio at 184%.

Lack of positive catalysts with sluggish net profit growth projected in 2024-26

We estimate an aggregate 2024 net profit of THB197.7b, a slight increase of 1.2% y-y, due mainly to a large base in 2023 following a less positive impact from the interest rate increase compared to 2023. For 2025-26, we expect a more remarkable net profit growth rate of 5.3-5.6% y-y, based on our conservative assumptions for loan growth, fee income, and a gradual reduction in credit costs.

Maintain UNDERWEIGHT call with TTB as our top BUY

We retain our UNDERWEIGHT call on the Thai banking sector. Despite the deep correction in the SETBANK index, we see no catalysts to drive the sector except for attractive dividend yields. We pick TTB (TP THB2.19) as our top BUY based on the limited downside risks to its earnings from its remaining tax benefits of THB14.1b and an attractive dividend yield of c5-6% p.a. In addition, we prefer KTB (TP THB19.90) to KBANK (TP THB140), following our reduced concern over its asset quality and more attractive dividend yields of c5-6% p.a. Finally, we pick SCB (TP THB120) as a dividend play for its outstanding yields estimated at 10-11% p.a. under an 80% payout ratio assumption.



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
 usanee.l@fssia.com, +66 2646 9967

Maeta Cherdsatirakul

Research Assistant
 maeta.c@fssia.com, +66 2646 9971

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We expect the seven banks under our coverage to post a decline in aggregate 2Q24 net profit of 3.2% q-q, but a slight increase of 2.1% y-y, amounting to THB53.2b. PPOP is expected to contract by 2.1% both q-q and y-y, amounting to THB112.0b.

For the q-q comparison, we project all banks to post a net profit decrease except for TTB and TISCO, which should see a slight increase, with TTB performing the best and SCB performing the worst.

For the y-y comparison, we expect BBL, SCB, and TISCO to post a net profit contraction, while TTB, KBANK, KTB, and KKP should post y-y growth, with TTB and KBANK performing the best and SCB performing the worst.

The decrease in q-q net profit should come from declining net interest income (NII) and non-NII (lower fees and investment gains), outweighing lower ECL and relatively flat operating expenses. We expect the aggregate cost-to-income ratio to be relatively flat q-q at 44.6% in 2Q24. In addition, the slight increase in y-y net profit should come from higher NII due mainly to rising interest rates despite flat loan growth and NIM.

Overall, we expect the 1H24 net profit to increase by 5.8% y-y, amounting to THB108.2b, and account for 55% of our full-year net profit forecast.

Manageable asset quality; stable NPL ratio with lower credit costs

We view the aggregate asset quality as a cause for concern in 2Q24, particularly in the SME and retail segments, with no alarming signs in the corporate segment. New NPL formations and stage 2 loans should continually increase from 1Q24 following the uneven economic recovery and the high level of household debt.

However, we view this as manageable. Most banks have proactively managed and been able to sustain the expected credit costs in 2Q24. Accordingly, we anticipate a flat NPL ratio of 3.63% with a credit cost of 146bp in 2Q24, sustaining the coverage ratio at 184%.

Lack of positive catalysts with sluggish 2024-26E net profit growth

We estimate an aggregate 2024 net profit of THB197.7b, a slight increase of 1.2% y-y, due mainly to a large base in 2023 following a less positive impact from the interest rate increase compared to 2023. Moreover, the 2024 business guidance from most banks shows a more cautious view on loan growth – NIM ranging from flat to contracting, non-NII and fee income growth being flat to low single-digits, and sustaining a high level of ECL and credit costs.

For 2025-26, we expect a more remarkable net profit growth rate of 5.3-5.6% y-y, based on our conservative assumptions for loan growth, fee income, and a gradual reduction in credit costs.

Exhibit 1: 2Q24E earnings preview of Thai banks under coverage

	2Q24E	1Q24	Change	2Q23	Change	1H24E	1H23	Change	% of	2024E	Change
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(THB m)	(y-y%)	24E	(THB m)	(y-y%)
BBL	10,463	10,524	(0.6)	11,293	(7.3)	20,987	21,422	(2.0)	50	42,037	1.0
KBANK	12,507	13,486	(7.3)	10,994	13.8	25,992	21,735	19.6	62	41,942	(1.1)
KTB	10,973	11,078	(0.9)	10,156	8.0	22,052	20,223	9.0	59	37,621	2.7
SCB	10,557	11,281	(6.4)	11,868	(11.1)	21,838	22,864	(4.5)	50	44,063	1.2
TTB	5,502	5,335	3.1	4,566	20.5	10,836	8,861	22.3	56	19,523	5.7
KKP	1,448	1,506	(3.9)	1,408	2.8	2,955	3,493	(15.4)	51	5,798	6.8
TISCO	1,761	1,733	1.6	1,854	(5.0)	3,494	3,646	(4.2)	52	6,732	(7.8)
Coverage	53,210	54,943	(3.2)	52,140	2.1	108,153	102,244	5.8	55	197,716	1.2

Sources: Company data; FSSIA estimates

Exhibit 2: NPL ratio, 3Q22-2Q24E

	3Q22 (%)	4Q22 (%)	1Q23 (%)	2Q23 (%)	3Q23 (%)	4Q23 (%)	1Q24 (%)	2Q24E (%)	2024E (%)	Banks' target 2024E
BBL	3.83	3.62	3.73	3.46	3.48	3.22	3.43	3.45	3.45	±3.0
KBANK	3.59	3.74	3.56	3.79	3.67	3.78	3.79	3.79	3.80	< 3.25
KTB	4.01	3.90	3.97	3.83	3.74	3.86	3.77	3.80	3.80	< 3.25
SCB	3.92	4.01	3.97	3.84	3.89	3.99	3.89	3.89	4.06	n/a
TTB	3.01	3.03	3.09	2.99	2.96	3.09	3.02	3.03	3.15	≤ 2.9
KKP	3.29	3.45	3.56	3.74	3.69	3.31	3.94	3.96	3.90	3.50 - 3.70
TISCO	2.08	2.09	2.13	2.20	2.25	2.22	2.27	2.32	2.41	2.50 - 2.75
Coverage	3.70	3.68	3.69	3.61	3.58	3.59	3.62	3.63	3.68	

Sources: Company data; FSSIA estimates

Exhibit 3: Credit cost, 3Q22-2Q24E

	3Q22 (bp)	4Q22 (bp)	1Q23 (bp)	2Q23 (bp)	3Q23 (bp)	4Q23 (bp)	1Q24 (bp)	2Q24E (bp)	1H23 (bp)	1H24E (bp)	2024E (bp)	Banks' target 2024E
BBL	145	116	127	133	132	109	127	123	130	126	129	~ 90 - 100
KBANK	161	368	205	208	209	220	189	187	206	189	200	175 - 195
KTB	86	116	125	120	125	201	124	124	122	125	140	120 - 130
SCB	132	120	166	201	201	153	167	177	184	173	180	160 - 180
TTB	125	139	125	125	128	277	155	140	124	146	140	125 - 135
KKP	182	305	233	292	304	284	206	213	162	209	253	250 - 270
TISCO	23	70	28	11	25	43	47	50	20	49	50	100
Coverage	128	173	148	158	159	178	146	146	153	146	155	

Sources: Company data; FSSIA estimates

Exhibit 4: Aggregate banks – 2Q24E earnings preview

Year-end 31 Dec	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)	1Q24 (THB m)	2Q24E (THB m)	---- Change ----		1H24E (THB m)	Change (y-y %)	%of 24E	2024E (THB m)	Change (y-y %)
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(THB m)	(y-y %)
Net interest income	149,783	157,561	161,865	156,319	154,798	(1.0)	3.3	311,117	6.8	50	623,527	2.1
Non-interest income	50,687	44,609	43,454	48,419	47,485	(1.9)	(6.3)	95,904	(4.7)	50	193,256	2.4
Fee income - net	32,865	33,258	32,140	33,445	33,191	(0.8)	1.0	66,636	(1.0)	50	133,470	0.6
Total operating income	200,470	202,170	205,318	204,738	202,283	(1.2)	0.9	407,021	3.8	50	816,783	2.2
Total operating expenses	86,033	88,651	100,649	90,311	90,274	(0.0)	4.9	180,585	7.6	48	375,170	5.0
PPOP before tax	114,437	113,519	104,669	114,427	112,010	(2.1)	(2.1)	226,436	1.1	51	441,613	(0.1)
Expected credit loss	47,701	48,343	54,320	44,501	44,345	(0.4)	(7.0)	88,846	(3.9)	47	190,572	(2.3)
Income tax	12,837	13,233	5,775	13,018	12,669	(2.7)	(1.3)	25,687	(0.3)	56	46,123	3.0
Non-controlling interest	1,758	1,490	1,902	1,965	1,785	(9.2)	1.5	3,750	2.7	52	7,202	2.2
Net profit	52,140	50,454	42,673	54,943	53,210	(3.2)	2.1	108,153	5.8	55	197,716	1.2
EPS (THB)	10.96	10.60	8.97	11.55	11.18	(3.2)	2.1	22.73	5.8	55	40.97	(0.4)
Key ratios	2Q23	3Q23	4Q23	1Q24	2Q24E	---- Change ----		1H24E	Change		2024E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(y-y %)		(%)	
Gross NPLs (THB m)	438,699	438,484	435,884	441,977	441,363	(0.1)	0.6	441,363	0.6		457,947	5.1
Change (% from prior period)	(1.2)	(0.0)	(0.6)	1.4	(0.1)			0.6			5.1	
NPL ratio (%)	3.61	3.58	3.59	3.62	3.63			3.63			3.68	
Coverage ratio (%)	184	186	188	185	184			184			186	
Credit cost (bp)	158	159	178	146	146			146			155	
Profitability ratio	(%)	(%)	(%)	(%)	(%)						(%)	
Cost-to-income ratio	42.9	43.8	49.0	44.1	44.6			44.4			45.9	
Average yield (%)	4.50	4.74	4.91	4.80	4.77			4.80			4.73	
Cost of funds (%)	1.38	1.46	1.59	1.63	1.66			1.65			1.63	
Loan spreads	3.12	3.27	3.32	3.17	3.11			3.15			3.10	
NIM (%)	3.37	3.53	3.60	3.47	3.42			3.46			3.40	
Non-interest income /total income (%)	25.3	22.1	21.2	23.6	23.5			23.6			23.7	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
q-q	0.8	0.8	(0.9)	0.7	(0.5)							
y-y	0.6	0.5	0.1	1.4	0.1			0.1			2.6	
Year-to-date	0.2	1.0	0.1	0.7	0.2			0.2				

Sources: Company data; FSSIA estimates

Exhibit 5: Thai banks – 2Q24E earnings preview

Year-end Dec 31	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	KKP (THB m)	TISCO (THB m)	Coverage (THB m)
Net interest income	33,270	38,227	29,380	31,438	14,035	5,114	3,334	154,798
Change q-q%	(0.5)	(0.8)	(0.6)	(1.0)	(2.5)	(2.6)	(1.8)	(1.0)
Change y-y%	5.7	4.2	5.8	2.1	(0.4)	(7.4)	(2.5)	3.3
Non-interest income	8,114	11,099	10,713	11,403	3,325	1,468	1,364	47,485
Change q-q%	(1.8)	(4.5)	(3.8)	1.5	1.6	(7.0)	4.3	(1.9)
Change y-y%	(25.9)	(2.4)	34.9	(15.7)	(9.4)	(22.8)	3.0	(6.3)
Fee income - net	6,704	8,269	5,598	7,848	2,445	1,096	1,232	33,191
Change q-q%	(3.2)	(0.4)	0.4	(0.6)	(0.4)	(2.4)	5.5	(0.8)
Change y-y%	2.0	7.2	16.7	(7.8)	(8.1)	(25.1)	7.0	1.0
Insurance premium - net	0	0	0	0	0	0	0	0
Total operating income	41,384	49,326	40,093	42,841	17,360	6,582	4,698	202,283
Change q-q%	(0.7)	(1.6)	(1.5)	(0.4)	(1.8)	(3.7)	(0.1)	(1.2)
Change y-y%	(2.5)	2.6	12.3	(3.3)	(2.3)	(11.3)	(1.0)	0.9
Total operating expenses	19,580	21,482	17,213	18,286	7,408	4,098	2,207	90,274
Change q-q%	(0.2)	3.7	(2.9)	1.0	(2.1)	(5.1)	(2.5)	(0.0)
Change y-y%	(2.6)	3.0	22.7	7.5	(5.8)	8.1	(7.2)	4.9
PPOP before tax	21,804	27,845	22,880	24,555	9,952	2,484	2,491	112,010
Change q-q%	(1.2)	(5.4)	(0.4)	(1.4)	(1.5)	(1.3)	2.1	(2.1)
Change y-y%	(2.4)	2.3	5.5	(10.1)	0.6	(31.6)	5.3	(2.1)
Expected credit loss	8,400	11,500	8,100	10,800	4,600	650	295	44,345
Change q-q%	(2.1)	(1.6)	0.9	5.9	(10.1)	6.8	5.7	(0.4)
Change y-y%	(5.4)	(10.0)	4.5	(10.7)	8.4	(65.4)	367.7	(7.0)
Income tax	2,828	3,138	2,897	3,136	(150)	385	435	12,669
Non-controlling interest	112	700	910	62	0	1	0	1,785
Normalised profit	10,463	12,507	10,973	10,557	5,502	1,448	1,761	53,210
Extraordinary items	0	0	0	0	0	0	0	0
Net profit	10,463	12,507	10,973	10,557	5,502	1,448	1,761	53,210
Change q-q%	(0.6)	(7.3)	(0.9)	(6.4)	3.1	(3.9)	1.6	(3.2)
Change y-y%	(7.3)	13.8	8.0	(11.1)	20.5	2.8	(5.0)	2.1
EPS (THB)	5.48	5.28	0.79	3.14	0.06	1.71	2.20	11.18

Sources: Company data; FSSIA estimates

Exhibit 6: Thai banks – 1H24E earnings preview

Year-end Dec 31	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	KKP (THB m)	TISCO (THB m)	Coverage (THB m)
Net interest income	66,692	76,756	58,942	63,199	28,432	10,367	6,729	311,117
Change y-y%	8.3	7.2	10.4	5.8	3.0	(3.5)	0.3	6.8
Non-interest income	16,374	22,722	21,854	22,637	6,598	3,048	2,671	95,904
Change y-y%	(22.7)	(1.5)	24.2	(11.2)	(6.2)	(15.8)	(1.3)	(4.7)
Fee income - net	13,630	16,567	11,175	15,745	4,899	2,219	2,400	66,636
Change y-y%	(0.5)	4.7	12.5	(9.6)	(6.1)	(20.9)	(0.8)	(1.0)
Insurance premium - net	0	0	0	0	0	0	0	0
Total operating income	83,066	99,478	80,796	85,836	35,030	13,415	9,400	407,021
Change y-y%	0.4	5.1	13.8	0.7	1.2	(6.6)	(0.1)	3.8
Total operating expenses	39,198	42,194	34,944	36,386	14,978	8,414	4,470	180,585
Change y-y%	0.6	3.8	26.2	7.7	(1.2)	19.7	(4.1)	7.6
PPOP before tax	43,868	57,284	45,853	49,450	20,052	5,000	4,930	226,436
Change y-y%	0.2	6.1	5.9	(3.9)	3.0	(31.8)	3.7	1.1
Expected credit loss	16,982	23,184	16,129	21,001	9,717	1,259	574	88,846
Change y-y%	(2.1)	(9.0)	1.7	(4.6)	14.1	(57.7)	162.8	(3.9)
Income tax	5,678	6,541	5,833	6,490	(501)	785	862	25,687
Non-controlling interest	221	1,567	1,839	121	0	1	0	3,750
Normalised profit	20,987	25,992	22,052	21,838	10,836	2,955	3,494	108,153
Extraordinary items	0	0	0	0	0	0	0	0
Net profit	20,987	25,992	22,052	21,838	10,836	2,955	3,494	108,153
Change y-y%	(2.0)	19.6	9.0	(4.5)	22.3	(15.4)	(4.2)	5.8
EPS (THB)	10.99	10.97	1.58	6.49	0.11	3.49	4.36	22.73

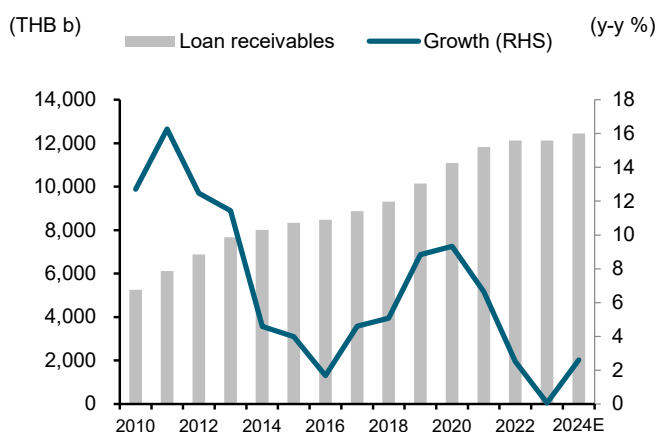
Sources: Company data; FSSIA estimates

Exhibit 7: Staged loans and ECL of banks under coverage, 2021-23

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2021 (%)	2022 (%)	2023 (%)
Staged loans						
Stage 1	11,057	11,317	11,245	88.8	89.4	89.4
Stage 2	908	889	896	7.3	7.0	7.1
Stage 3	489	458	438	3.9	3.6	3.5
Total	12,453	12,664	12,579	100.0	100.0	100.0
Allowance for ECL						
Stage 1	246	262	271	2.2	2.3	2.4
Stage 2	237	252	275	26.0	28.3	30.7
Stage 3	287	276	268	58.7	60.3	61.2
Total	769	790	814	6.2	6.2	6.5
LLR / Loans						
Stage 1	2.2	2.3	2.4			
Stage 2	26.0	28.3	30.7			
Stage 3	58.7	60.3	61.2			
Total	6.2	6.2	6.5			
(%)						
NPL / TL	3.9	3.6	3.5			
NPL vs Stage 2 loans / TL	11.2	10.6	10.6			
LLR / NPL	157	173	186			
LLR / (NPL vs Stage 2)	55	59	61			

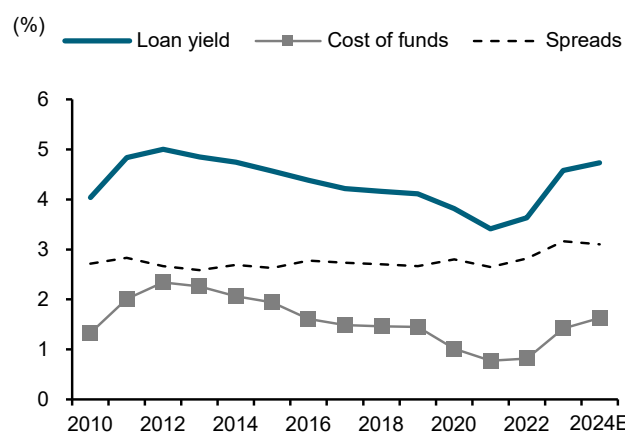
Sources: Company data; FSSIA's compilation

Exhibit 8: Loan growth, 2010-24E



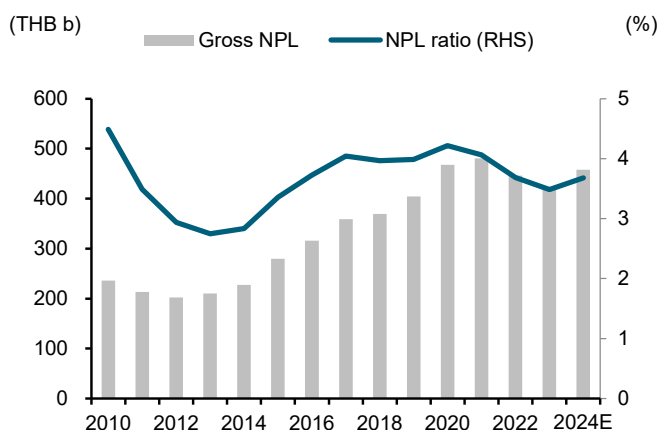
Sources: Company data; FSSIA estimates

Exhibit 9: Yields, cost of funds, and spreads, 2010-24E



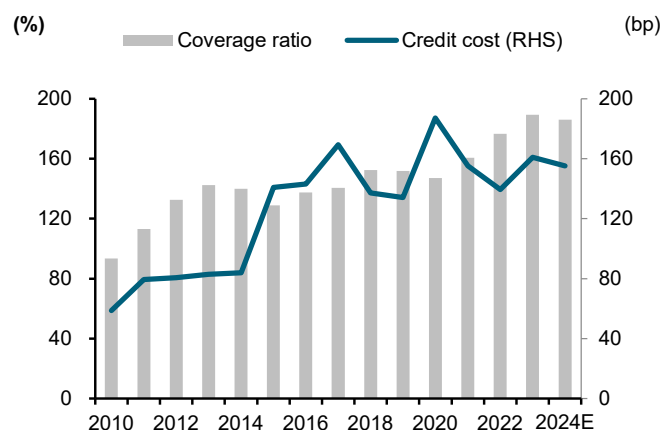
Sources: Company data; FSSIA estimates

Exhibit 10: NPLs and NPL ratio, 2010-24E



Sources: Company data; FSSIA estimates

Exhibit 11: Coverage ratio and credit cost, 2010-24E

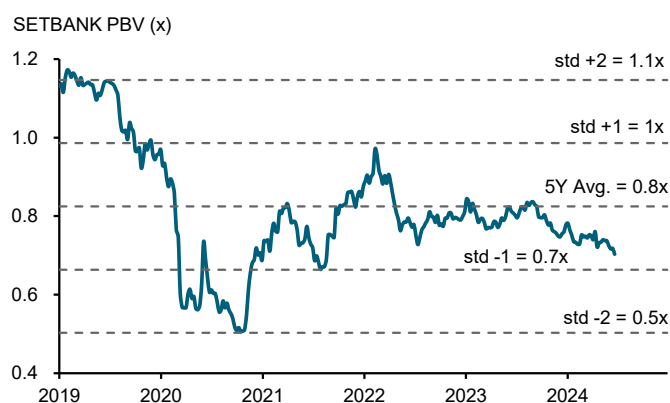


Sources: Company data; FSSIA estimates

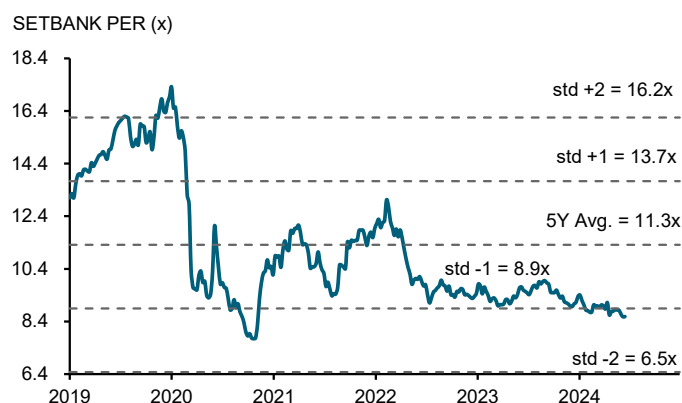
Exhibit 12: Aggregate banks – key financial summary, as of 21 June 2024

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,342	195,373	197,716	208,250	219,986
EPS (THB)	39.7	35.6	25.5	33.2	34.7	41.15	41.0	43.2	45.6
Change y-y	0.8%	-10.3%	-28.3%	29.8%	4.8%	18.4%	-0.4%	5.3%	5.6%
P/E (x)	11.1	9.5	13.2	12.5	11.2	9.3	8.6	8.2	7.8
BVS (THB)	393.2	422.3	441.4	473.1	455.1	479.0	492.9	513.0	538.2
P/B (x)	1.1	0.8	0.8	0.9	0.9	0.8	0.7	0.7	0.7
ROE (%)	20.2	8.9	5.9	7.3	7.8	8.8	8.5	8.6	8.7
ROA (%)	2.4	1.1	0.7	0.8	0.9	1.1	1.0	1.1	1.1
Dividend yield (%)	3.5	4.8	2.3	2.5	3.6	5.2	5.7	6.0	6.2

Sources: Company data; Bloomberg; FSSIA estimates

Exhibit 13: SETBANK – one-year prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 14: SETBANK – one-year prospective PER band

Sources: Bloomberg; FSSIA estimates

Exhibit 15: Peer regional banks comparison, as of 21 June 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	----- PE ----- 24E (x)	25E (x)	----- PBV ----- 24E (x)	25E (x)	----- ROE ----- 24E (%)	25E (%)	----- Div yld ---- 24E (x)	25E (x)
Thailand													
Bangkok Bank	BBL TB	132.00	157.00	19	6,858	6.0	5.8	0.5	0.4	7.7	7.6	5.5	5.7
Kasikornbank	KBANK TB	125.00	140.00	12	8,061	7.2	6.7	0.5	0.5	7.7	8.0	5.2	5.6
Krung Thai Bank	KTB TB	17.00	19.90	17	6,467	6.3	6.1	0.6	0.5	9.1	8.8	5.2	5.4
SCB X	SCB TB	106.00	120.00	13	9,714	8.1	7.6	0.7	0.7	9.1	9.5	9.9	10.5
TMBThanachart Bank	TTB TB	1.68	2.24	33	4,429	8.3	7.8	0.7	0.7	8.4	8.5	6.6	7.0
Kiatnakin Bank	KKP TB	47.50	50.60	7	1,095	6.9	6.5	0.6	0.6	9.3	9.3	6.8	7.4
Tisco Financial Group	TISCO TB	96.25	97.00	1	2,097	11.4	11.4	1.8	1.8	15.7	15.5	8.1	8.1
Thailand weighted average					5,532	9.1	8.6	0.8	0.7	8.5	8.6	5.4	5.7
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.52	n/a	n/a	254,757	4.3	4.2	0.4	0.4	10.0	9.6	7.4	7.5
China Construction Bank	939 HK	5.71	n/a	n/a	185,120	4.0	3.9	0.4	0.4	10.7	10.3	7.6	7.8
HSBC Holdings	5 HK	68.15	n/a	n/a	161,379	6.7	7.1	0.9	0.9	15.1	12.0	9.3	7.3
Bank of China	3988 HK	3.80	n/a	n/a	169,910	4.7	4.6	0.4	0.4	9.5	8.4	6.8	6.9
Hong Kong average					192,791	4.9	5.0	0.5	0.5	11.3	10.1	7.8	7.4
China													
Industrial & Comm Bank of China	601398 CH	5.51	n/a	n/a	255,162	5.6	5.5	0.5	0.5	9.9	9.5	5.6	5.7
Agricultural Bank of China	601288 CH	4.19	n/a	n/a	199,173	5.8	5.6	0.6	0.5	10.4	10.1	5.5	5.7
China Construction Bank	601939 CH	7.22	n/a	n/a	185,144	5.5	5.4	0.6	0.5	10.7	10.3	5.5	5.7
Bank of China	601988 CH	4.47	n/a	n/a	169,933	5.9	5.8	0.5	0.5	9.4	9.0	5.3	5.4
China average					202,353	5.7	5.6	0.6	0.5	10.1	9.7	5.5	5.6
South Korea													
KB Financial Group	105560 KS	78,600	n/a	n/a	23,230	6.2	5.5	0.5	0.5	8.7	9.1	4.0	4.4
Shinhan Financial Group	055550 KS	47,600	n/a	n/a	17,486	5.2	4.8	0.4	0.4	8.8	8.8	4.5	4.9
Hana Financial Group	086790 KS	59,900	n/a	n/a	12,602	4.6	4.3	0.4	0.4	9.4	9.4	6.0	6.6
Industrial Bank of Korea	024110 KS	13,500	n/a	n/a	7,822	3.9	3.8	0.3	0.3	9.0	8.7	7.8	8.2
South Korea average					15,285	5.0	4.6	0.4	0.4	9.0	9.0	5.6	6.0
Indonesia													
Bank Central Asia	BBCA IJ	9,600	n/a	n/a	72,303	22.1	20.3	4.5	4.1	21.2	21.2	2.9	3.2
Bank Rakyat Indonesia Persero	BBRI IJ	4,440	n/a	n/a	40,992	10.8	9.7	2.1	1.9	19.4	20.4	7.3	7.7
Bank Mandiri Persero	BMRI IJ	6,125	n/a	n/a	34,462	10.1	9.1	2.0	1.8	20.6	20.7	5.9	6.2
Bank Negara Indonesia Persero	BBNI IJ	4,540	n/a	n/a	10,314	7.6	6.7	1.1	1.0	14.3	15.0	6.2	6.9
Bank Syariah Indonesia	BRIS IJ	2,420	n/a	n/a	7,037	17.3	14.4	2.6	2.3	16.1	16.7	1.0	1.3
Indonesia average					33,022	13.6	12.1	2.4	2.2	18.3	18.8	4.6	5.1
Malaysia													
Malayan Banking	MAY MK	9.86	n/a	n/a	25,225	12.0	11.4	1.2	1.2	10.3	10.5	6.2	6.5
Public Bank	PBK MK	4.00	n/a	n/a	16,478	11.1	10.6	1.3	1.3	12.4	12.2	5.0	5.3
CIMB Group Holdings	CIMB MK	6.79	n/a	n/a	15,297	9.5	8.9	1.0	0.9	10.8	10.9	6.1	6.4
Hong Leong Bank	HLBK MK	19.18	n/a	n/a	8,805	9.7	9.0	1.1	1.0	11.6	11.5	3.5	3.8
RHB Bank	RHBBANK MK	5.52	n/a	n/a	5,107	8.4	7.9	0.7	0.7	9.0	9.2	7.3	7.6
Malaysia average					14,182	10.1	9.6	1.1	1.0	10.8	10.9	5.6	5.9
Singapore													
DBS Group Holdings	DBS SP	35.45	n/a	n/a	74,393	9.5	9.5	1.5	1.5	16.6	15.7	6.2	6.7
Oversea-Chinese Banking	OCBC SP	14.16	n/a	n/a	47,107	8.7	8.6	1.1	1.1	13.4	12.6	6.1	6.2
United Overseas Bank	UOB SP	30.57	n/a	n/a	37,668	8.6	8.3	1.1	1.0	12.9	12.6	5.9	6.0
Singapore average					53,056	8.9	8.8	1.2	1.2	14.3	13.6	6.1	6.3
Regional average (excl. Thailand)					81,476	8.3	7.8	1.1	1.0	12.4	12.2	5.8	6.0
Total average (incl. Thailand)					64,863	8.2	7.7	1.0	1.0	11.8	11.6	6.0	6.2

Sources: Bloomberg; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitys	The Sustainabilitys' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 132.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) an impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 125.00	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) government stimulus projects leading to economic recovery; and 2) rising NIM from well-controlled cost of funds.
Krung Thai Bank	KTB TB	THB 17.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 106.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.68	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Phatra Bank	KKP TB	THB 47.50	HOLD	Downside risks to our GGM-based target price include weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality.
Tisco Financial	TISCO TB	THB 96.25	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 21-Jun-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.